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UNCLAS SAN SALVADOR 002691

SIPDIS

E.O. 12958: N/A

TAGS: [ES](#) [ETRD](#) [PREL](#) [TW](#)

SUBJECT: EL SALVADOR WILL NEGOTIATE TRADE AGREEMENT WITH  
TAIWAN

REF: A. A) SAN SALVADOR 1440

[1](#)B. B) SAN SALVADOR 2333

[1](#)1. The September 27 press reported that El Salvador and Taiwan had agreed at the September 26 Managua summit of Central America, Taiwan and the Dominican Republic to negotiate a free trade agreement. President Saca made the announcement that the two countries would begin talks very soon following a private evening meeting with Taiwan President Chen Shui-bian. "El Salvador cannot remain at a disadvantage," Saca is quoted as saying, in reference to the fact that Guatemala and Panama have already agreed to an FTA with Taiwan, "since Taiwan could be an excellent buyer of sugar and coffee; they are interested in closing this relationship as soon as possible." A statement on the President's web site states that El Salvador will seek an agreement that gives Salvadorans the ability to enter Taiwan and that expands exports from coffee and several other products, in particular to include sugar.

[1](#)2. The Ministry of Economy's trade policy deputy director confirmed on September 28 that El Salvador would negotiate an agreement with Taiwan (despite an earlier declaration - see ref a - suggesting that the Ministry would prefer to consolidate its CAFTA commitments rather than seek out new trade deals). El Salvador will be looking to complete the negotiations quickly, said this official, who also acknowledged that there had been little preparation for trade talks ("falta coordinacion").

[1](#)3. According to Central Bank figures, in 2004, El Salvador exported goods valued at 2.06 million to Taiwan and imported goods of 27.8 million. Aside from merchandise trade, El Salvador remains keenly interested in attracting Taiwanese investment. Taiwan reportedly announced at the summit the creation of a 250 million dollar fund as part of a program to support Central American investment by Taiwanese businesses. Taiwan announced earlier this year the establishment of an industrial park to house agroindustrial projects and has been working to put this project together (see ref b). Comment: although the government has offered Taiwan land near the international airport, local contacts told Emboff that the Taiwanese have been looking at property more toward the cooler, western area of the country where worker productivity would not be as negatively affected by hot weather.  
Barclay